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SOURCE

1. The Chinese Communists are not unwilling to make concessions on a democratic buffer zone if they could get assurance of military security and could see their way clear for participation in the Japanese peace treaty. Their present policy is to avoid further losses in Korea and await Soviet moves. Rumors have been circulating that in mid-July the Chinese Communists and the Soviets reached an agreement to take united steps with respect to the Japanese peace treaty.
2. The Chinese Communists believe the Americans are using the break-down in the cease-fire talks which resulted from Communist violations of the neutral zone as a threat to secure more favorable terms in negotiations. In accordance with pre-set policy, the Chinese Communists will not allow the talks to break down despite completely unacceptable UN terms. At present democratic personages appear to feel more optimistic, although they still follow the Chinese Communist line in accusing the U.S. of insincere peace motives and designs to invade the mainland of China. They feel that American Far Eastern policy has stiffened, that the war in Korea is no longer the most crucial issue between the two world blocs and that the future development of the world situation depends on the Japanese peace treaty.

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1. Comment. HUANG, SHEN and KUO are all members of the CCP Politburo. HUANG and KUO are both vice premiers of the Government Administration Council. HUANG is also Minister of Light Industries.

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